

CENTRAL IOWA REGIONAL WATER WORKSHOP 6

Monday, December 4, 2017

11:00 a.m.

Des Moines Water Works

2201 George Flagg Parkway, Des Moines, IA 50321

Present:

City of Altoona – City Councilmember Vern Willey; Jim Utter, Utilities Director

City of Ankeny – Mayor Gary Lorenz, City Manager David Jones

City of Des Moines – Mayor Frank Cownie; City Manager Scott Sanders

City of Clive – City Manager Dennis Henderson

City of Johnston – City Manager Jim Sanders, Councilmember David Lindeman

City of Urbandale – Mayor Bob Andeweg

City of Waukee – City Manager Tim Morman

City of West Des Moines – City Manager Tom Hadden

Des Moines Water Works – Sue Huppert, Board Chair and Graham Gillette, Board Members;

Ted Corrigan, Mike McCurnin, and Laura Sarcone, staff

Urbandale Water Works – John McCune, Board Chair; Dale Acheson, staff

West Des Moines Water Works – Karen Novak, Board Chair and Jody Smith, Board Member;

Diana Wilson, staff

Also in attendance: Jason Mumm and David Gordon, FCS Group; Paul Drey, Brick Gentry Law Firm; and members of the public.

At 11:00 a.m., the meeting began.

Instructions were given for online polling questions that will be used throughout the meeting.

Mr. Mumm provided a recap of ideas from last discussion, including asset transfer and board expansion.

What are our paths forward?

Existing and Future Capacity

- New regional entity handles existing and future water production
- Involves transfer of existing assets
- High alignment with obligation to serve
- More difficult than other forms

Future Capacity Only

- New regional entity handles future water production only
- No asset transfers necessary
- All existing capacity (assets) remain with owners
- Current agreements on use of existing capacity remain
- Partial alignment with obligation to serve
- Least difficult

Expand DMWW Board

- Expanded board governs existing and future water production
- No asset transfers necessary
- Legal issues to address
- Benefits dependent on board set up and control
- Possible alignment with obligations

An anonymous and unscientific poll question was asked: *Please Rank your Preferred Path Forward – Future capacity only; Existing and future capacity; Expand DMWW Board.*

The results were: 1) Existing and future capacity; 2) Expand DMWW Board; and 3) Future capacity only.

1. Board Expansion – Jason Mumm spoke specifically on DMWW Board expansion.

What is it?

- The DMWW board is expanded to include more (TBD) members from the region
- Expanded board handles all water production.

What is it not?

- Does not interfere with local distribution decision making – that power is reserved for current DMWW board
- Does not require asset transfer

Challenges to Board expansion:

Legal challenges

- Size of board limited by state statute
- Appointment authority reserved by state statute to City of Des Moines

Practical challenges

- Regional production decision authority vs. local distribution system

The group discussed suggestion for restructuring.

The existing DMWW Board structure –

- All functions governed by existing 5-member board
- Under a single enterprise fund
- All members appointed by City of Des Moines Mayor
- Managed by existing DMWW staff

Future structure suggestion –

- Production and distribution functions would be split internally
- Forming two separate enterprise funds, components of DMWW
- Managed by existing DMWW staff
- Members appointed by mix of local bodies

There are legal considerations, including state and local statutes.

Board appointments (Iowa Code 388.3)

- Mayor appoints utility board “subject to approval of the [city] council.”

- Local code 118-586 aligns with state code

Board size (Iowa Code 388.2)

- Provides for appointment of either three or five members.
- Local code 118-586 limits board to five members

What is needed to fulfill the vision the working group has expressed

- More than five members, most likely
- Appointment/selection of regional seats by alternative method
- State and local codes would need amendment to accomplish this

There are practical considerations as well.

Water Production vs. Distribution

- Not practical to have the same board deciding regional issues and local distribution decisions
- Causes potential conflicts of interests
- E.g. Regional board should not be able to preempt local distribution needs

What is needed to fulfill the vision the working group has expressed

- Separation of authority between regional decision making and local
- Separate governance of the two

There was discussion on Iowa Chapter 389.

2. Transfer of Existing and Future Assets – Mr. Mumm spoke specifically on transfer of existing and future assets.

The model discussed includes transfer of existing capacity

- “Capacity” means a collection of assets from various current owners
- We discussed subscribed capacity and reserve
- Contributing (at no cost) the subscribed capacity
- Possibly contributing the reserve; or a sell-buyback arrangement for it

This model would create a separate board to manage the existing assets

- Assume responsibility for regional water production from DMWW

The board would acquire future water production capacity

- Plan, finance, acquire new production assets

The group discussed the water industry standard “Used and Useful”

Asset must be used and useful by those who pay for their costs

- The asset must generally be “in service,” i.e. useable
- Assets are useful when they provide benefits to the ratepayers

Cost-Benefit Nexus

- Current ratepayers should bear only legitimate costs of providing services to them
- If an asset doesn’t provide service, its costs generally are not legitimate

Are water production assets that serve only a specific community “used and useful” to a regional entity?

- For: These assets are used to meet a portion of regional demand, and useful to meeting the regional obligation of service
- Against: Only select customers use the water produced by these assets so they are not useful to all ratepayers, and therefore their costs should not be recovered by the entity

Mr. Mumm discussed the responses from the asset inclusion survey. There was consensus on the majority of assets.

Total assets	36
Total agreement	23
Mostly agree	12
Multiple disagreement	1

Disagreement focused on two areas:

- Land (should property included)
- Self-contained facilities (should facilities that serve one entity/ do not connect to region be included)

Reasons for disagreement have common themes:

Including self-contained facilities would add cost to the network vs. including facilities would be better distribute rates and make sure individual entity isn't provided advantage

Self-contained facilities are not connected to the system so shouldn't be included vs. regional operations are impacted by all production.

Mr. Mumm went through specific non-consensus asset inclusion.

Asset category: General Asset (includes DMWW General Office, “other,” and misc.)

- Reason for including: There may be portions of these general assets that handle regional production.
- Reason for not including: Should not include portions that deal mainly with distribution, customer service, and other distribution requirements.
- Additional notes: Comments generally agree that need to look closely at these assets and only include those that are regional-related.

An anonymous and unscientific poll question was asked: *Should “General Assets” handling regional production be included?*

The results were: Yes: 53%; Probably: 28%; No: 11%

Asset category: Source of Supply – Maffitt Reservoir

- Reason for including: Source water to McMullen WTP, distributed to Metro through Core Network. Constructed through purchased capacity dollars and O&M/depreciation included in rates.
- Reason for not including: While assets and water would be available for benefit of Regional Board, property they sit on should not be transferred.
- Additional notes: Only one disagreement (one “No”)

An anonymous and unscientific poll question was asked: *Should the Maffitt Reservoir be included?*

The results were: Yes: 71%; No: 24%

Asset category: Source of Supply – wells and equipment owned by West Des Moines Water Works (WDMWW)

- Reason for including: Including all production facilities would equalize water rates. Regional operation impacted by all production facilities, even those delivering water to only one entity.
- Reason for not including: Operation is “self-contained” to WDMWW with no ability to distribute to core network. Region benefits from reduced demand and no financial obligations. Existing debt (if any) would add cost to core network customers.
- Additional notes: Only one disagreement (one “Yes”)

An anonymous and unscientific poll question was asked: *Should the WDMWW Wells & Equipment be included?*

The results were: Yes: 58%; No: 42%

Asset category: Source of Supply – Urbandale raw water quarries

- Reason for including: Potential for use as future regional water supply as source of raw water.
- Reason for not including: Property should not be transferred.
- Additional notes: Only one disagreement, one person unsure (one “No”)

An anonymous and unscientific poll question was asked: *Should the Urbandale Raw Water Quarries be included?*

The results were: Yes: 83%; No: 17%

Asset category: Source of Supply – Altoona wells and treatment

- Reason for including: Including all production facilities would equalize water rates. Regional operation impacted by all production facilities, even those delivering water to only one entity.
- Reason for not including: Little value to core network –water only supplied to Altoona and “self-contained” system.
- Region benefits from no financial obligations but reduced demand.
- Additional notes: Only one disagreement (one “Yes”)

An anonymous and unscientific poll question was asked: *Should Altoona Wells and Treatment assets be included?*

The results were: Yes: 65%; No: 29%

Asset category: Source of Supply – Chain of Lakes

- Reason for including: Source water and nitrate management for McMullen WTP serves regional network.
- Reason for not including: While assets and water would be available for benefit of Regional Board, property they sit on should not be transferred.
- Additional notes: Only one disagreement (one “Yes”)

An anonymous and unscientific poll question was asked: *Should Chain of Lakes supply be included?*

The results were: Yes: 88%

Asset category: Treatment – AC Ward structure and treatment

- Reason for including: Regional operations are impacted by all production. Provides advantage to individual entity at disadvantage to region. Including all facilities can equalize water rates.
- Reason for not including: “Self-Contained” system does not distribute outside of corporate boundaries. Any existing debt would add to cost of network
- Additional notes: Only one disagreement (one “Yes”)

An anonymous and unscientific poll question was asked: *Should AC Ward structures and treatment assets be included?*

The results were: Yes: 63%; No: 38%

Asset category: Storage – Hazen Tower

Reason for including: None provided.

Reason for not including: Asset primarily serves DMWW direct and total service customers.

Additional notes: Only one disagreement (one “Yes”). Possibly people are unfamiliar.

An anonymous and unscientific poll question was asked: *Should Hazen storage be included?*

The results were:

Yes: 63%; No: 31%

Asset category: Storage – 98th Street Tower

- Reason for including: Structure serves multiple communities.
- Reason for not including: May serve a defined number of communities and be confined to their systems.
- Additional notes: Only one disagreement (one “no”); not a firm “no.” Possibly people are unfamiliar.

An anonymous and unscientific poll question was asked: *Should the 98th Street Tower be included?*

The results were: Yes: 76%; No: 18%

Asset category: Transmission and Meters – Raw water mains owned by WDMWW

- Reason for including: Regional operations are impacted by all production. Provides advantage to individual entity at disadvantage to region
- Reason for not including: “Self-Contained” system does not distribute outside of corporate boundaries. Any existing debt would add to cost of network
- Additional notes: Only one disagreement (one “yes”). Not to include distribution assets here.

An anonymous and unscientific poll question was asked: *Should raw water mains owned by WDMWW be included?* The results were:

Yes: 64%; No: 36%

Final poll question: *Please rank your preferred path forward – Future capacity only; Existing and future capacity; Expand DMWW Board.*

The results were: 1) Existing and future capacity; 2) Future capacity only; 3) Expand DMWW Board.

Mr. Mumm suggested next steps. He will provide a report out at the Wednesday morning meeting and Workshop #7 will explore formation of a regional entity to include existing and future water production assets; and discussion of board composition and allocation of board seats.

Members of the group suggested other assets that should be looked at for inclusion: Polk City, Grimes, Xenia Rural Water.

Upcoming Schedule

- December 6, 7:30 a.m., Urbandale City Hall
- December 6, 4:00-6:00 p.m., DMWW
- December 14, 4:00-6:00 p.m., DMWW (report out)
- December 15, 7:30 a.m., Urbandale City Hall

Meeting ended at 1:00 p.m.